

NSTAR ARREARAGE FORGIVENESS PROGRAM

I. Mission Statement

The Arrearage Forgiveness Program (“AFP”) will offer customers of Boston Edison Company (“Boston Edison”), Cambridge Electric Light Company (“Cambridge Electric”), Commonwealth Electric Company (“Commonwealth”) and NSTAR Gas Company (“NSTAR Gas”) (together, “NSTAR” or the “Company”) budget counseling, payment plans, arrears forgiveness, energy efficiency initiatives and links to other financial grants and assistance. The AFP is a cost-effective suite of programs designed to serve customers who will benefit from a reduction in their electric and/or gas bill arrearage with the ultimate goal of having the customer independently manage bill payments more effectively.

II. AFP Description

The AFP will offer 100 percent arrearage forgiveness to NSTAR Discount Rate (for Boston Edison customers, Rate R-2, and for Cambridge Electric, Commonwealth Electric and NSTAR Gas, Rate R-2 and Rate R-4) customers of record (“Customer”), not to exceed \$599 annually. Eligible Customers will agree to a negotiated payment plan, paying the current bill amount, or an agreed-upon average monthly bill, for up to 36 months. When a Customer makes a payment on time, forgiveness credits will be made directly to the Customer’s account, reducing the Customer’s debt. AFP Customers will also be protected from having service shut off for non-payment. The Company agrees to develop, in cooperation with the Low-Income Energy Affordability Network (“LEAN”), a written document describing the AFP process in more detail.

III. AFP Eligibility Criteria

To be eligible, a Customer must meet the following requirements:

- the Customer must have a minimum of \$300 arrears on gas bills and/or \$100 in arrears on electric bills;
- the Customer must be in arrears for at least 60 days;
- the Customer's gas or electric service must not be shut off for nonpayment;
- the Customer must not be a landlord account (where tenants pay utilities to the landlord)
- the Customer must agree to participate in budget counseling and participate in an NSTAR Energy Efficiency program (unless such participation would not be cost-effective);
- the Customer must have not participated in the AFP within the previous 18 months, except that renegotiation of payment plans will be permitted.

IV. Implementation

NSTAR shall offer the AFP to 350 of its Customers no later than January 1, 2006, and to the remainder of its Customers in two additional phases during calendar year 2006, the first of which is to commence by May 1, 2006. The AFP will be implemented by local Community Action Agencies ("CAAs") or Community Action Programs ("CAPs"). NSTAR agrees to work with the CAAs and CAPs to provide customer intake, energy efficiency services, case management services, and budget counseling.

To the extent necessary, the Company may modify the AFP consistent with any directives of the Department of Telecommunications and Energy (the "Department") pursuant to any

Department-initiated generic proceeding governing arrearage management plans, as provided in Chapter 140 of the Acts of 2005.

V. AFP Evaluation Mechanism

The goal is to have the AFP program self-funding by re-establishing customers that would otherwise not pay. Cost recovery will be provided to the extent that the goal is not met based on the evaluation described in this paragraph. The AFP Program evaluation will net program costs from program benefits in such a way as to avoid double counting or excluding any cost or benefits. Costs are all administrative costs and customer arrearage credits less a statistical estimation of the arrearages from program participants that would have been uncollected in absence of the program. Benefits are the reduction in Company arrearage costs including collections cost, shut-off costs, cost of money, and additions to revenue that are attributable to the program. The AFP evaluation will produce a negative result, a zero result or a positive result. When the result of the AFP evaluation is positive, producing a debt to the Company, the net costs of the NSTAR AFP in excess of the benefits will be deferred with carrying costs, reconciled and recovered annually through the Company's Residential Assistance Adjustment Factors approved by the Department in D.T.E. 01-106-C/05-55. When the result of the AFP evaluation is zero, the program will be considered a success. When the result of the AFP evaluation is negative, the program will be considered an overwhelming success and will be expanded as determined by interested stakeholders.

This AFP evaluation, along with detailed customer information, will be compiled monthly by a Company AFP Manager and forwarded to LEAN and other interested stakeholders.

The Company agrees to develop a written document in conjunction with LEAN and other

interested stakeholders, consistent with this evaluation formula, describing the AFP evaluation formula in more detail.

VI. Ongoing Review and Collaboration

The Company shall notify LEAN and other interested stakeholders of changes that it intends to make to the AFP, whether or not they constitute major adjustments or supplements thereto. The Company agrees to meet regularly with LEAN and other interested stakeholders in order to discuss and address issues that may arise, with the goal of reaching agreement on these issues.